

REDGATE GOLF COURSE



A Presentation to Mayor and Council
RedGate Advisory Committee
September 13, 2010

Dear Mayor Marcuccio and Council Members,

Rockville's City leaders had a vision over 40 years ago when they purchased the land that was then RedGate Farm, created RedGate golf course, and sold off adjoining land for commercial use. Their actions preserved green space for the City in advance of the growth and development that was soon to come.

Since the course opened 36 years ago, the public has played more than 2,000,000 rounds of golf at Rockville's hidden gem in the heart of the Washington metropolitan area. RedGate resembles a mature, century-old parkland course with its beautiful views, trees, and wildlife - a course that is just coming into its' own maturity. Yes, it does take a generation or two for that to happen.

The golf course sits on 140 acres of trees, grass and ponds. It is a place for people to spend several hours while escaping the hustle and bustle of work and daily life, in open spaces and clean air. It also serves as a natural habitat for many species of flora and fauna. Your elected predecessors made this reality possible by their foresighted action when they engineered the annexation and eventual purchase of land readily available then, and no longer available now.

Now, in the year 2010, the reality facing this Mayor and Council is that things change, and not always for the better. You face tightening budgets, loss of revenue streams and an economy that has slowed and has yet to recover. These and other factors have created new challenges for Rockville. At this critical juncture, we ask you to not look back, but to look forward.

Think ahead another 36 years; better yet, think ahead 100 years. What will Rockville be like at the end of those two periods? While you, in your elected positions, cannot completely affect the outcome years from now, you can take one action that can be as important as that taken in 1973 when City officials decided to build RedGate Golf Course.

You can ensure that the course remains available to the public for generations to come, generations that will certainly live in much closer quarters, as developers will have sought out every bit of open space on which to build, with residential towers and office buildings erected that march up and down Rockville Pike, beyond Town Center and on into Gaithersburg.

A government's elected officials need to provide a long-term vision, one not expected from salaried employees that are paid to balance the books and run the day-to-day operations of government. You actually do a decent job of that. However, the discussions about RedGate in the last two years have provided more confusion than clarity, and you will soon be discussing *eight* options for the future of RedGate, many of which aren't viable.

Thirty-six years from now or 100 years from now, no one will care about the technicalities of enterprise funds versus general funds, depreciation, or cost allocation rates for relatively small amounts of money compared to what was at stake. Today's green spaces are invaluable to the Rockville of the future, and that is a reality worth fighting for.

In the years ahead, developers will want to get their hands on this and other parcels of land; the state or county may want to run a highway through RedGate; there will be challenges, seen and unseen. Some proposals may appear attractive at a point in time, but once that green, open space is gone, it is lost to the public forever.

At present, RedGate is low hanging fruit, available for easy picking. It will remain so unless you, our Mayor and Council, make the right decision. You can develop a vision and make it happen, as was done in 1973. We ask each of you to look beyond today's situation, regardless of how we got here, and focus on future generations living in a Rockville of increased density, and their desire to have a place where they can spend several hours escaping the hustle and bustle of work, in open spaces and clean air.

Sincerely,

The RedGate Advisory Committee

I. A Brief History of RedGate Golf Course

The property that RedGate Golf Course was built on was an operating dairy farm when it was purchased by the City of Rockville. The previous owners had applied to have the property annexed to the City limits. Records we uncovered indicate this was done in 1962. Subsequently, the City purchased the property through a blind trust for the express purpose of building a golf course.

According to Mr. Ron Olsen, who was the Director of Recreation and Parks when RedGate first opened, the decision to build a golf course was based on several major factors:

- The City felt a golf course was the one major recreational facility they were lacking.
- Public golf courses were few and far between at the time, and the Rockville area was a prime market for golf.
- It was the general opinion that the then current owners had applied for annexation to either aid in the sale or development of the land.
- The property was the only location that the City would ever be able to build a golf course on.
- The Gude corridor was going to be developed and they wanted to build a golf course to link the Civic Center property and the Lake Frank parkland as an undeveloped buffer on the East side of the City.
- It was felt that a golf course would provide benefits to all City residents and not just golfers.

The previous owners did not know they were selling to the City of Rockville or for what purpose, but one of the conditions of sale was that the name “RedGate” would be retained. This was the name of the dairy farm. The original house that was part of the property is located just across the street from the golf course entrance. This part of the property was not sold to the City and is still a private residence.

Construction of the golf course began in 1972 and the course opened for play in June of 1974. Since opening, RedGate has provided a golfing experience that can be enjoyed by players of all ability levels and has generally been regarded as the best-maintained public course in the area.

RedGate can be set up to be a challenging test of golf. That, in addition to its excellent conditioning, has resulted in it hosting the regional qualification tournament for the USGA Public Links Amateur Championship, sectional qualification for the USGA United States Open, and qualification for the Maryland State Open. It is the home course for several local high school and Montgomery College golf teams.

This year RedGate hosted the 40th annual Rockville Open, a two-day event that crowns a City Champion, is open to anyone, and actually predates the golf course itself. The RedGate Tournament Players program is the most robust of all public courses in the mid-Atlantic, and head professional Kieron Mooney was recognized for this, and other programs, by the Professional Golf Association of America.

II. Environmental Aspects

The RedGate property consists of approximately 140 acres, including parking lots, driveways and other non-playing areas. The golf course itself is made up of almost 4 acres of putting greens, 3 acres of teeing areas, 22 acres of fairways, 90 acres of mowed rough, a 5 acre practice facility and numerous other features such as sand bunkers, ponds and wooded areas.

Other than reversing the front and back nine's, the layout has remained unchanged, but visually is much different then when it opened 36 years ago. Original tree plantings have matured and hundreds of additional trees have been planted. Wooded areas have been thinned to enhance playability and trees that have died or have become maintenance issues are removed every year. Arguably the most dramatic and controversial change to the golf course was the construction of a new storm water management pond and dam. Hundreds of trees were removed to build it, and contaminated soil was moved to extend the driving range. The end result is the need to redesign the golf hole.

RedGate provides benefits to every resident of Rockville, whether they play golf or not. Golf course turf grasses improve air quality and moderate temperatures. They reduce noise, glare and visual pollution. Turf grasses improve the soil and reduce loss of topsoil from wind and water erosion. They absorb and filter rain and water runoff, recharging ground and surface water. The golf course turf grasses, trees and water features create and enhance wildlife habitat.

The golf course captures and cleans runoff water from the surrounding urban area. It houses five SWM ponds that receive flow from outside the property. The two largest of these ponds are also the water source for the irrigation system. Water quality found in these ponds is terrible, due to urban contamination; the main problem is excessive sodium levels. Treatments are made to the main irrigated areas of the golf course to neutralize the effects of this sodium load, rendering it harmless to the environment.

If we did not capture and treat this sodium load, it would flush directly into the Rock Creek Watershed and eventually impact the Chesapeake Bay. Other than policy and ordinance enforcement, this is the only physical clean water action being performed by the City, and virtually no one is aware it takes place.

The International Audubon Society and the Chesapeake Bay Foundation have recognized the golf course maintenance industry as being leaders in Environmental Stewardship. Twenty years ago the International Audubon Society began a Cooperative Sanctuary Program for Golf Courses. To become certified through this program, any golf course that applies must adhere to numerous environmental friendly practices, the cornerstone of which is improving water quality exactly as RedGate is doing.

The Audubon Society did not approach the golf industry with this program because golf courses were a problem, but because they recognized they were cleaning their own house. As a body, golf course superintendents consider themselves to be "Stewards of the Land" and strive to preserve and work with nature, but had done little to publicize their own efforts. They are now getting the recognition they have so long deserved.

This winter the Chesapeake Bay Foundation spoke at almost every educational event held by the USGA or local Golf Course Superintendent Association's within the Chesapeake Bay Watershed and appealed to the members to apply for Audubon Cooperative Certification. They want the golf course maintenance industry to stand up and say this is what we have done to clean the Bay and ask our players to do the same. After hearing their presentation at two different events, RedGate's Superintendent, Ray Evans, will be applying for certification.

All of the benefits that RedGate provides are real. They can be substantiated with fact or hard research but we cannot tell you what they are worth. That is something this council and the residents of Rockville will have to decide. Recently, Mayor Marcuccio stated that RedGate was more than just a balance sheet, which is very true. But it is also much more than just a golf course or a recreational facility. It is a natural resource that benefits every City resident, and has been said time and again, when it is gone, it is gone forever.

III. Community Benefits

It is widely accepted that public parks that provide outdoor recreational pursuits create economic, social, and environmental value. While the value of green space and the opportunity to pursue outdoor activities may be difficult to quantify, it is there nonetheless.

Numerous studies have been conducted linking increased property values to the proximity of parks and recreational facilities. Likewise, access to parks and recreational pursuits is cited as a major priority by businesses in their assessment of potential locations. This year, Rockville was recognized by *Bloomberg Businessweek*, *Money Magazine*, and the *U.S. News & World Report* as a great place to live, work, and start a business. Certainly, Rockville's many amenities contributed to this recognition, one of those amenities being RedGate Golf Course, cited in the *U.S. News & World Report* article. Park and recreation areas are economic engines that improve the quality of life and make communities livable and desirable for businesses and homeowners.

Parks and recreational facilities provide millions of Americans with the opportunity to be physically active. Physical activity is an essential part of an individual's efforts to stay healthy, fight obesity, and prevent chronic conditions that lead to coronary disease, high blood pressure and diabetes. Having close-to-home access to places where one can recreate is one of the most important factors linking whether people will become active and stay that way.

Access to green space and leisure activities in parks has been proven to improve moods, reduce stress, and enhance an overall sense of wellness. In an increasingly complex world, people place a high value on achieving the feelings of relaxation and peacefulness that contact with nature, recreation and exposure to natural open spaces bring.

Recreational programs provide organized, structured, enjoyable activities for all ages. A diverse range of recreational programs and activities offer individuals the opportunity to develop the skills necessary to successfully and confidently engage in sports and other activities. Quality recreational programs facilitate safety, good sportsmanship and community participation.

It is vital to preserve our parks and green space in a fast-developing urban landscape. Green spaces provide vegetative buffers to construction and development, thus reducing the effects of sprawl. More importantly, parks and public lands also provide groundwater recharge areas, floodplain protection, natural sound barriers, effective storm water management, reductions in heat island effects, and carbon uptake from abundant trees and vegetation. Parks keep our living environment healthy. In terms of environmental geography, RedGate acts strategically as a buffer between the City of Rockville and Rock Creek Park. The environmental benefits of the 140 acres that comprise RedGate to all Rockville's citizens cannot be dismissed.

Social communities are strengthened by public parks and recreational facilities. A stronger sense of community leads to a safer environment. Green spaces provide gathering places which, in turn, leads to close-knit communities and improved well-being, both physically and socially. Parks and recreation facilitate social interactions that are critical to maintaining community cohesion and pride.

The City of Rockville has a vision, and it is a good one - be a “green city”, embrace the environment. Rockville’s strong policy of providing a wide and varied portfolio of recreational pursuits is a key factor in attracting and retaining new businesses and residents, making it a great place to live and work.

IV. Today’s Golf Market Environment

There are two general categories of golf courses, public and private. The public sector is further broken down into two daily fee (privately owned) and municipal (owned by tax-supported entities such as a city or county). RedGate is what is categorized as a municipal golf course...the proverbial muni, the kind of golf course so many of us learned to play this great game.

While some view golf as an elitist game, even suggesting RedGate was built for middle and upper-middle class men, when it comes to public golf, nothing could be further from the truth. Public golf is all about diversity and variety. Diversity of golfers in terms of income, occupation, race, age, etc., and variety in terms of course quality and price point. There is no better place to see this than the City of Rockville’s own RedGate Golf Course.

There can be no denying that the golf industry has been going through some tough times lately. The biggest source of today’s challenges is the dilution of rounds of golf played. The building boom of the 1990’s created this situation by increasing the supply...the number of golf courses available for play. The average number of rounds per 18-holes has seen a drop from 40,000 a year in the late 1980’s (before the last building boom), to 33,000 today.

So yes, many municipalities have gone from a situation in which the golf operation was contributing positively to the general fund to a position of requiring support from taxpayers to meet operational and capital/debt requirements. Consequently, managers are forced to make operations leaner, which typically results in deferred maintenance and capital improvements. This belt tightening, in turn, results in a deteriorating product and further reduction in market share and revenues, and eventually to failure.

However, according to a study done by the National Golf Foundation, existing demand appears to be stable, latent demand exists and past recessions did not have a significant lasting impact. Passion and commitment to golf remain high. Latent demand continues to provide opportunities for long-term growth, and RedGate can take advantage of this potential with a new business model and a new business plan. We will cover this in more detail in a subsequent section.

While existing demand remains stable, many golfers are finding ways to maintain their level of play, but at a reduced cost. They are playing less expensive courses and at off-peak times. This pattern has resulted in a kind of “price-war”, not unlike we sometimes see with gas stations and airlines. We see this every day, right here in our area, as RedGate competes primarily against the MCRA courses. This environment has been a boon for golfers, but a potential bust for golf course operators. The industry as a whole is seeing revenue per round and total revenue down, while rounds played remains the same, maybe even ticking up in some cases.

The key recommendations that came out of the study, and that we recommend the City adopt, are:

- Consider how best to invest in the course and the customer experience
- Position the course in the marketplace through strategic planning and customer targeting
- Market and sell the course like never before, especially through increased use of technology (email, customer targeting, yield management tools, new internet applications, etc)

V. The Five-Year Business Plan

In March of 2006, City staff was directed to write a business plan that would inform and direct efforts to restore RedGate to financial health. Thus, the RedGate Golf Course Five-Year Plan was created.

The plan was quite comprehensive in scope. The Operating and Capital Budget Planning sections covered areas such as:

- Staffing
- Outside services
- Overhead charges
- Infrastructure improvements
- Marketing

The capital improvements were to be funded with a one-time grant subsidy to the Golf Fund and were spread out over three years (FY2007-FY2009). This part of the plan is pretty straightforward and easy to track and measure. What isn't easy, however, is determining what impact any part of it had on revenue, rounds played, bringing in new players, etc. If RedGate had a more sophisticated POS system at the time, data could have been captured that might have helped measure cause and effect.

Midway through the plan, about one-third of the CIP funds (approx \$130K) was frozen and projects dependent on that money could not be completed. It wasn't until earlier this year, thanks to this M&C, that the funds were "unfrozen", and it was at the behest of the Advisory Committee it be done. That was the good news. The bad news was not all of the funds would be going to projects that were part of the five-year plan.

A portion of the funds went to the purchase and installation of a new POS system, which went live on July 1, 2010. It is still going through a break-in period, but will pay huge dividends as the staff learns ways to utilize the marketing tools it offers. The RedGate Advisory Committee first raised the issue of RedGate's outdated systems at least three years ago, but no action was taken. The lion's share of the remaining funds will be used to reconfigure two holes on the course. The need to do this work, rather than complete the improvements in the original plan, is the result of changes made to the golf course in the wake of creating a new storm-water management pond on the golf course.

As with any good business plan, the RedGate Five-Year Plan has a section that defines success. According to the plan, the ultimate measure of success is completely closing the gap between bottom line annual operating/capital costs and revenue. The two critical measures of success in the plan are:

- Rounds played
- Average dollars per round

It is with these measures that the plan has its greatest flaws. The questions one must ask are where did the numbers and projections come from, who derived the numbers and who had input and say on their accuracy and reasonableness. Was there input from and consideration given to input from the golf course staff...the people directly involved with the golf business? Were third-party sources consulted, sources such as National Golf Foundation, the USGA, etc.? In short, were the goals and targets based on reality with a high probability of success, or on what city staff thought the golf course should do, without taking into account industry and economic trends and conditions? The latter would be a recipe for failure.

A common measure of how a golf course is performing is to look at average dollars per round of golf. Today the golf industry talks in terms of the total golf experience. This “experience” starts when the golfer steps onto the property and concludes as they leave the grounds. The opportunities to make money are many, including green fees, golf cart and golf club rentals, food and beverage, merchandise sales (shoes, clothing, clubs, balls, tees, gloves, and other golf paraphernalia), lessons, driving range, etc. In virtually every case, a golf course uses all these revenue sources in determining their average revenue per round.

It is important to understand that when you see RedGate’s average revenue per round, it includes only green fees and cart rentals. The reason for this is the business model the golf course operates under. All the other sources of revenue belong to the head golf professional, who pays the city a small rental fee and a percent of sales. So it is impossible to compare the performance of RedGate against any competitor in the local area, or other municipal courses in the region. To compound the issue, the number used as rounds played is not a representation of paid-for rounds of golf, but includes comped rounds to staff and professionals, free rounds granted with the frequent player program, MGA and WGA matches, annual pass rounds played beyond break-even points, etc.

To give you some perspective, consider this. The projected average dollar per round for RedGate in FY2008 was \$36.40 for green fees and carts. The actual number attained was \$28.47. Compare this figure to the actual figures for several comparable golf courses within several miles of RedGate

- Laytonsville \$38.75
- Northwest Park \$38.82
- Needwood \$34.58

You would do well to ask why RedGate is lagging so far behind the competition. In actual fact, it really isn’t. The reason for the wide gap is the three competitors include all the revenue sources listed above in their calculation, whereas RedGate uses only green fees and cart rentals. How can we honestly expect RedGate to do the same as these competitors when measuring only two sources of revenue?

Let’s look at rounds played. The number of rounds forecasted for RedGate was 43,220. Compare that to three of the MCRA’s popular courses:

- Hampshire Greens 32,000
- Poolesville 34,000
- Little Bennett 30,000

RedGate actually did 41,116 rounds in the same year. The only MCRA 18-hole courses that topped that number were Falls Road and Laytonsville, with 49,000 and 45,000 rounds respectively. There must be something very wrong if RedGate is getting as much or more play than our closest competitors but ends up in the financial mess presented in all the RedGate Fund reports.

Finally, the conclusion drawn in 2009 was that after only 2 ½ years the data suggests it is unlikely that the plan will succeed and a different course of action should be considered. No one asked the important question...are the measures of success realistic and attainable, or was the plan doomed to fail from the start?

Business plans are meant to be dynamic and need refining, tweaking and revisiting. This plan was cast in stone, with no opportunity to revise it over time.

VI. Financial Status of RedGate

There has been much discussion about RedGate's financial performance – the size of its accumulated deficit, the structural problems with golf, and the statements that RedGate began losing money in FY 2000. To qualify that last statement – that RedGate began losing money in FY 2000 – it is necessary to define what “losing money” means. Appendix 1 to this report shows the Redgate Golf Fund year by year going back to FY 1998 through FY 2009, as per the City's audited financial statements. As you can see, RedGate covered all of its direct operating expenses and its debt service (interest expense) in all years save two. The industry standard for measuring the financial performance of municipal golf courses is a standard termed, “EBIDA” (earnings before interest, depreciation, and amortization). Redgate clearly surpasses that financial measure. So, by applying an industry standard for municipal golf courses, RedGate was not “losing money”.

The discussions to date have focused on RedGate's deficits – accumulated and forecasted through FY 2015. The amounts quoted might seem significant in isolation, but relative to the size of the City's parks and recreation expenditures they are, as they say, a drop in the bucket. For example, per the FY 2011 budget, total expenditures for Rockville's Parks and Recreation programs top \$23.4 million with total revenue at approximately \$7 million and nearly \$14 million transferred in from the General Fund. This is all part and parcel of the City's policy with respect to providing varied and numerous recreational facilities for the Citizens of Rockville, whether it be softball fields, skate parks, basketball courts, dog parks, swim center, etc. This is not a bad thing. This is what city governments do – provide amenities and recreational opportunities to the public. Because RedGate's operations are accounted for in an Enterprise Fund, it has become an easy target. Whatever deficit is being created by the golf course, it pales in comparison to the other recreational pastimes enjoyed by Rockville residents. The amount of energy and discussion spent on deploring its current financial state, rather than focusing on understanding what is behind the numbers, whether they are appropriate measures, and what actions could be taken to improve revenue streams and overall business management of the course, is staggering.

Another interesting element of the discussions to date is the standard for measurement with respect to the term, “accumulated deficit”. One might think an appropriate measure would be to assess RedGate's financial performance on the basis of revenue less expenses (or, as mentioned earlier, an even more appropriate standard of measure for a municipal golf course would be “EBIDA”). However, in RedGate's case, the accumulated deficit amount that keeps being referred to, and which is the focus of much discussion is actually RedGate's “working capital”. The term “working capital” refers to current assets minus current liabilities. It measures how much in liquid assets a company has available for use in the production of further assets. Again, if we apply the EBIDA standard, the RedGate fund would show a cumulative positive balance since FY 2009 of nearly \$1million.

Coming back to the annual losses (revenue minus expenses), any cumulative losses to date stem from the City administrative overhead charge and depreciation expense. Word on the street and comments made by city staff describe this as a cost to taxpayers. In fact, this is a misleading statement. If RedGate were to shut down operations tomorrow, two things would happen – the City would lose over \$1 million in revenue and the cost to run the city would remain. The \$1.5 million in city administrative overhead that is allocated to RedGate through 2015 would still need to be paid. To describe the \$1.2 million in overhead charged to date, and the \$1.5 million to be charged going forward as the “cost of RedGate to taxpayers” is simply not accurate. It is a sunk cost associated with running the City of Rockville. Those costs do not go away if RedGate ceases to exist. They would have to be allocated to other facilities/other funds. Regardless of in what fund they sit, these costs represent the cost of running the City of Rockville and are ultimately borne by the taxpayers.

Specifically, based on the adopted FY 2011 budget, the annual cost of RedGate (not including city administrative overhead charges, depreciation, and debt service) is \$16 *per Rockville household*. The annual cost of RedGate with city administration overhead charges, depreciation, and debt service *per Rockville household* is \$28. The annual cost of other recreation and parks services *per Rockville household* is \$689. In an “apples-to-apples” comparison of the operations of RedGate with other similar City programs, the cost of RedGate was lower than all the other facilities except for Lincoln Park. While all this background may be interesting, the focus should not be on what has occurred in the past. Rather, time and attention needs to be devoted to making policy decisions in terms of RedGate’s operations going forward that will allow it to achieve the highest financial performance possible while providing high-quality parkland and recreational pursuits for all the citizens of Rockville.

VII. Proposed Business Model

There are now eight options on the table for the Mayor and Council to consider as you go about deciding the future of RedGate Golf Course. Three of these options are variations that have the City maintaining ownership and operations. The approach we recommend you take is to continue operating RedGate with City staff management and operations, but expand the business model to include all revenue producing segments.

The business model the City is operating under today isn’t working and is a significant contributing factor to the financial condition RedGate finds itself in. The City operates and maintains a golf course but ignores major sources of revenue to pay for it by adding to topline growth and bottom-line profits. It’s a model that served the City well for years, but today’s environment demands a change in how it does business.

There are many sources of revenue that golf courses can pursue, but the most significant and common include:

- Green fees
- Golf car rental
- Golf merchandise
- Food and beverage
- Driving range and practice facility
- Golf lessons

While green fees and carts bring in the most revenue by far, the other sources listed have the potential to bring in as much as 30% to 40% additional revenue. We will illustrate this with research data later in the presentation.

Kieron Mooney has been the head PGA of America Golf Professional and General Manager of RedGate Golf Course for the last 9 years, and has been on the staff for 19 years. His position with the City is unique in that he is a contracted, full-time employee. A major source of Mr. Mooney’s income is derived from his “owning” and managing the golf proshop, restaurant/snack bar, driving range and golf lessons program. In order for our proposed model to work, he would have to give up those sources of income and negotiate a new arrangement with the City. Kieron knows as well as anyone the potential for increased business and revenue, and it wasn’t a decision made lightly.

A. Golf Merchandise

The Retail Proshop is roughly a 600 square foot area used to display and sell anything required by a golfer. Typical merchandise includes such items as golf clubs, golf shoes, golf balls, golf gloves, tees, hats, shirts, windbreakers, golf bags, etc. It has accounts with over 50 vendors and has average annual gross sales of \$100,000. The RedGate Tournament Program and golf outings are good sources for proshop business because awards are usually in the form of “shop credit”, and must be used to purchase merchandise in the RedGate proshop.

The City receives \$2750 in an annual rent payment for the use of the retail space. It would benefit from taking over the space and owning the shop for itself. It would not have the general overhead costs that Mr. Mooney has. There would have to be merchandise programs for the customers and incentives to the selling staff to make it successful.

The shop is relatively unchanged since 2001. The required infrastructure and outfitting is already in place, including the new \$25,000 POS System and all the necessary displays. There is a state of the art security system with a 24-hour, 10 camera monitoring system. The City would have to acquire a retail sales tax license – a one time set up fee of about \$250.00, and an annual Trader’s License at a cost of \$211.00. This is a turnkey operation and only vendor accounts would have to be set up.

B. Food and Beverage

The Restaurant/Snack Bar covers about 1600 square feet of floor space. The restaurant is just big enough to cater for most busy days. The restaurant was updated and given a fresh new look four years ago. Good quality tables, chairs and patio furniture were bought at a close-out sale held by Avenel when they remodeled. The sales generated by the snack bar have been averaging about \$100,000 annually. It is possible that through economies of scale, the City would be in a better position to run this part of the business.

We strongly believe this part of the business has great upside potential. Food and beverage is the major component of the total golf experience we talk about. It is a fact; golfers are hungry and thirsty most of the time they are at the course. They buy snacks and beverages from roving carts on the course. They grab a beverage and hot dog or other snack in between the front and back nines. They might have lunch or breakfast before and/or after a round, along with a pitcher or two of adult beverage.

Because of its’ setting, and with some promotion, RedGate could become a destination for lunch or light dinner. The patio is an inviting place to sit, relax and enjoy a bite to eat and something to drink. Some creative changes to the menu can help with this part of the business.

C. Driving Range and Learning Center

The driving range represents the biggest untapped revenue source available to the City when it comes to managing RedGate. As with any new venture some investment would be necessary, but the potential for revenues in excess of \$100,000 is not only realistic, but would be considered conservative by some. We recommend installing an all-in-one ball washing and dispensing unit down at the driving range. Because the range is so far from the clubhouse, many golfers that might want to hit another bucket of balls just don't bother. This may cost as much as \$8000 depending on what model and features are selected. We recommend finishing the five-year plan upgrade to build three target greens, ten grass hitting-stations, relocating the practice bunker and rebuilding the practice putting green.

These improvements will not only bring more players to RedGate, they automatically become the nucleus of a true golf learning center. This is something not available at any local public course in the area. The money to finish these projects has already been approved by Mayor and Council and a purchase order has been issued.

No additional or new labor costs would be required. There would be an annual cost for keeping enough driving range balls in good supply. With these upgrades could come more lessons, clinics, camps and perhaps even the creation of a RedGate Golf Academy. Not only would these bring in new golfers, from beginners to experienced, but additional revenue from sources not currently available. A back-of-the-envelope estimate could be as much as \$25,000 based on the current 70/30 split arrangement.

The average price for a bucket of balls is \$8. People would surely be able to afford that, even if playing a round of golf is out of the question.

D. Revenue and Rounds Analysis

The National Golf Foundation recently completed a study that looked at the revenue and expense figures for 165 municipal 18-hole golf courses. Other golf revenue includes such things as driving range, lessons, clinic, etc. All other revenue might include advertising, rentals and other non-golf related transactions.

REVENUES (Averages)		
	2009	2008
Golf revenue (green fees and golf carts)	\$825,100	\$825,300
Other golf revenue	\$118,800	\$119,500
Food & beverage revenue	\$171,800	\$172,700
Merchandise revenue	\$89,400	\$93,300
All other revenue	\$64,100	\$56,900
Subtotal of non-green fee/cart rental	\$444,100	\$442,400
TOTAL REVENUES	\$1,269,200	\$1,267,700

RedGate beats the average municipal course revenue derived from green fees and cart rentals by 30% in 2009 and 42% in 2008. RedGate actual revenue for same periods was \$1.076M and \$1.171M.

As you can see, the revenue derived from other sources totals over \$440,000 per year. This represents revenue RedGate could realize under a different business model than currently employed. While there is no guarantee RedGate can attain these levels, there is good reason to expect that with solid management practices and a sound business plan, these numbers are realistic and attainable.

EXPENSES (Averages)		
	2009	2008
Maintenance expenses	\$648,900	\$655,800
All other operating expenses	\$461,000	\$463,900
TOTAL EXPENSES	\$1,110,000	\$1,119,700

The table above shows that on the operating expense side of things, RedGate exceeds the national average by 25% in 2009 and 11% in 2008. (\$1.386M and \$1.244M). This could be for any number of factors, and we include it as something to think about in the future.

Now, let's bring our analysis closer to home by looking at some data from peer competition

Our research shows that the MCRA estimates that in FY2011 they will bring in \$4.0M of revenue from merchandise sales (\$1.0M), food and beverage (\$1.5M), driving range (\$1.2M) and lessons (\$.380M). If we average that over the 8 18-hole golf courses in their portfolio, which comes out to \$500K additional revenue per course. If we include Sligo Creek, even though it is only a 9-hole course without a driving range, it comes out to \$444,444 per course. This is the exact number the NGF cites in the study referenced above.

As stated earlier, there is no guarantee that RedGate would bring in an additional \$450K to \$500K in revenue, but if properly managed, the odds are pretty good. So, for the sake of discussion, let's say it did bring in an additional \$400K in revenue from non-green fee/golf car rental sources...what effect would that have on the measures of success laid out in the five-year plan? Here is how things would look:

	FY2007	FY2008	FY2009	FY2010
Revenue/Round Per 5-year plan	\$35.00	\$36.40	\$37.86	\$39.37
Revenue/Round Under current model	\$29.03	\$28.47	\$29.43	\$28.72
Revenue/Round Under new model	\$39.00	\$38.20	\$40.36	\$40.66

As you can see, if RedGate was operated in the same way as other golf courses, the potential to meet or beat the operating budget exists, and would be a first step toward regaining fiscal stability.

There are many programs and activities that can be designed and implemented, all with the potential to increase play, bring in new golfers and even give back to the community. Just a few to consider:

- Family Golf Program
- Take Your Daughter/Son to the Golf Course Day
- Bring Your Kids to the Driving Range Day
- Customer Appreciation Day
- Improved Junior Golf Program
- First Tee Program

Some of these programs are sponsored by the PGA of America and World Golf Foundation. All of them are conducted at various competitor courses in the area.

Our message is clear and simple, the City of Rockville has allowed RedGate to lag the competition in almost every regard. Despite that, through the efforts of all golf course staff, it has held its own, but the past has caught up to them. It is not the time to give up, but rather look to the future and do whatever you can to preserve it.

VIII. RedGate Golf Course and Community Park

A key component of our recommended changes to the existing RedGate business model is looking for additional ways the golf course property can be used to benefit the greater community. There can be opportunities for non-golfers to enjoy this large open space during the off-season, at non-peak playing hours, late evenings, etc. This might mean changing the classification of the property to something like Community Park in order to be in compliance with the City's financial management policies.

St Andrews, Scotland is a town with 1/3 the population of Rockville. It is the legendary home of golf, and what is commonly known as the Old Course first came into being 600 years ago. Town officials bought the course in 1894 and current officials continue to view it as an asset for the town and its people.

While many people know about St. Andrews, most people don't know that the town closes the course to golf every Sunday. For one day a week, a day that tee times are generally sold out, the most revered golf course in the world becomes a public park. For one day a week it is a place where people can be seen walking their dogs, pushing carriages or just casually strolling the storied fairways. Friends, families and tourists alike gather on the links to share a picnic or just laze about, enjoying the breezes that blow in off the North Sea.

We are not suggesting the City close RedGate to golf on Sundays, but we are suggesting, with some creative thinking, additional uses for the property can be worked out. For example, and these are just ideas to get started:

- Close the back nine holes on three major holidays, Memorial Day, July 4th, and Labor Day, to allow the public to walk the course. Tents could be set up to allow Rockville's Recreation and Parks staff to acquaint the public with all the City offers in terms of amenities. The Mayor and Council members might want to walk along, not for politicking but for photo opportunities, and to enjoy the splendor as well.
- Install barbeque pits adjacent to the existing picnic tables now pleasantly located under cherry trees near the first hole tee and clubhouse entrance.
- Build a putt-putt golf facility, a form of entertainment that families can enjoy and where teenagers can flirt and have fun at night.
- Sponsor bird watching and star gazing seminars
- Hold one or two "Walk RedGate Days" and combine it with a health fair. Walking up and down the hills of RedGate is pure aerobic exercise.
- Allow such winter sports as cross-country skiing and sledding, and selling hot chocolate and snacks.
- Sponsor a cross-country race
- Create a space where school aged kids and scouts can go to complete nature projects for school, for community service, for merit badges, etc.

The RedGate Café could add a kids menu of the food they love and, stay open until 10 pm on nights when community park activity is scheduled.

Strathmore and the Fitzgerald Center could be invited to help organize a concert under the stars. We suggest inviting local talent, possibly from the local schools or the Duke Ellington School in the District. Certain new facilities or events could be open from 3 pm to dusk on those predictable days when the number of golfers decline. Overflow parking could possibly be accommodated at the Blair Ewing School across the street from the golf course entrance.

All these ideas of course come with a cost, so the City must be willing to give up some potential green fee revenue. However, some of that revenue can be made up by charging for some activities and events, concession sales, etc. The idea of reclassifying the golf course to a community park might lead to putting it all in the general fund.

An earlier City Council had the vision to put their shoulders behind our beautiful Town Center, which came online as the housing market collapsed, but many people enjoy it today; and as the economy continues to recover, Town Center will become what the Council anticipated 10 years ago, an asset to the City, a place where friends and family can meet. RedGate as a Community Park can help transform a City jewel, an already great asset, into an even greater one.

As Rockville's population increases with greater density and people living closer together, RedGate as a Community Park can be an important part of the marketing and branding strategy for the city, a city with a good business climate and a full range of recreation facilities for children and adults.

IX. Summary

We presented a lot of information, yet there is a lot we didn't, due to time constraints and the fact that one can absorb just so much data before suffering overload. We hope you leave here this evening with the understanding that RedGate is more than just a golf course, more than just a balance sheet. RedGate is parkland where people can get exercise while enjoying a great game in the open, clean air. It is a habitat for animals, birds, insects, plants and trees. It's a place just far enough away from the hustle and bustle of life where people can recharge and reenergize themselves.

We believe RedGate can start realizing improved financials if our recommendations are considered and used as building blocks for a new way forward. The five-year business plan drafted in 2006 is in its final year. While the intent was to make RedGate a sound, profitable enterprise, the plan itself was flawed. It is our opinion that the measures of success were unrealistic and unattainable, CIP funds were held back, to the detriment of promised improvements. There were no plans to bring golf course operations into the 21st century with respect to POS and internet technology.

We also believe the best approach for the City to take, as far as alternatives, is to take over full ownership of the business and let it operate as a business. You can no longer afford to look at the golf course as a business, measure it as a business, and expect it to function as a business, yet saddle it with government bureaucracy. An enterprise in a competitive market needs to be nimble, flexible and able to react to changing market conditions quickly and efficiently. The men and women running the day to day operations are the experts...let them do the jobs they were hired for and are paid to do.

Our vision for RedGate includes new uses for the property. We talked about limiting or restricting play on certain dates or times of the year, in order to accommodate new activities. There would have to be some trade-offs in revenue, but such an arrangement might lead to reclassifying RedGate as a Community Park and eliminate the need to account for it as an enterprise fund.

We want to end our report and close our presentation with the same request we opened them with.

At present, RedGate is low hanging fruit, available for easy picking. It will remain so unless you, our Mayor and Council, make the right decision. You can develop a vision and make it happen, as was done in 1973. We ask each of you to look beyond today's situation, regardless of how we got here, and focus on future generations living in a Rockville of increased density, and their desire to have a place where they can spend several hours escaping the hustle and bustle of work, in open spaces and clean air. Some proposals may appear attractive at a point in time, but once that green, open space is gone, it is lost to the public forever

X. RedGate Advisory Committee

The RedGate Advisory Committee is a sub-committee of the Recreation and Parks Advisory Board. It is a committee that stopped meeting back in the late 1990's. In 2006 Joseph Jordan, a Rockville resident and golfer, approached Burt Hall and asked if it couldn't be reformed, given all the attention RedGate was getting at the time. Burt agreed, and the group had its first meeting in March of 2006. Mr. Jordan was elected chair and has been serving in that capacity ever since. The committee is made up of volunteers (mostly golfers), a liaison from the Advisory Board, the head golf professional and the course superintendent.

The mission of the committee is to meet, discuss and recommend changes and improvements to the golf course, activities and programs that would enhance the enjoyment of playing golf, customer service, amenities, etc. Its sole purpose is to represent the needs, desires and suggestions of all golf course users, as well as others interested in the venue for reasons other than golf. It cannot make or change policy.

The goal is to help have RedGate seen as a top-notch, well-conditioned golf course that competes favorably in the greater Washington area golf market. The committee has always strived to be a reflection of the diverse make-up of people that use the golf course, including young and old, men and women, skilled and novice.

Today's committee members share a love of the game of golf. They come from many walks of life and have job and life experiences and skills that benefit the City in their roles as committee members.

The committee members are:

Bobby Farrell	Bob Lalley
Chuck Iliff	Frank McDonough
Joe Jordan	Mark Paulette
Charles Karadimos	Wayne Rowland
Martha Klasing	George Sushinsky